

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Walkerville Fire & Rescue Department	County Oceana
Fiscal Year End 2/28/06	Opinion Date 5/9/07	Date Audit Report Submitted to State 6/29/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

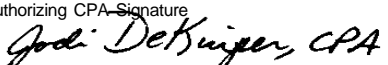
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 W. Main Street		City Fremont	State Zip MI 49412
Authorizing CPA Signature 		Printed Name Jodi DeKuiper	License Number 1101021180

**WALKERVILLE AREA FIRE AND
RESCUE DEPARTMENT**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2006

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H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board of Directors
Walkerville Area Fire and Rescue Department
Walkerville, MI 49459

Independent Auditor's Report

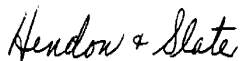
We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Walkerville Area Fire and Rescue Department as of and for the year ended February 28, 2006, which collectively comprise a portion of the Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Walkerville Fire and Rescue Department as of February 28, 2006 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information is presented for purposes of additional analysis, and is not a required part of the financial statements of Walkerville Area Fire and Rescue Department. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Walkerville Area Fire and Rescue Department has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Hendon & Slate, PC
Certified Public Accountants
May 9, 2007

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WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Governmental Funds Balance Sheet/Statement of Net Assets February 28, 2006

	General <u>Fund</u>	<u>Adjustments</u> ^a	Statement of <u>Net Assets</u>
ASSETS			
Current Assets			
Cash and Equivalents	\$ 300,423	\$ -	\$ 300,423
Accounts Receivable	18,082	-	18,082
Prepaid Insurance	<u>-</u>	<u>4,509</u>	<u>4,509</u>
Total Current Assets	318,505	4,509	323,014
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>481,497</u>	<u>481,497</u>
Total Assets	<u><u>\$ 318,505</u></u>	486,006	804,511
 LIABILITIES AND FUND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	16,784	-	16,784
Current Portion of Long-Term Debt	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Total Current Liabilities	16,784	30,000	46,784
Note Payable	<u>-</u>	<u>350,728</u>	<u>350,728</u>
Total Liabilities	16,784	<u>380,728</u>	<u>397,512</u>
Fund Balances/Net Assets			
Fund Balance			
Unreserved	<u>301,721</u>	<u>(301,721)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 318,505</u></u>		
Net Assets:			
Invested in Capital Assets Net of Related Debt		100,769	100,769
Unrestricted		<u>306,230</u>	<u>306,230</u>
Total Net Assets		<u><u>\$ 406,999</u></u>	<u><u>\$ 406,999</u></u>

^aNotes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements are an integral part of this statement.

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Statement of Governmental Revenue, Expenditures and Changes in Fund Balance/Statement of Activities For the Year Ended February 28, 2006

	<u>General Fund</u>	<u>Adjustments ^a</u>	<u>Statement of Activities</u>
Revenues			
Contributions From Local Units	\$ 184,120	\$ -	\$ 184,120
Charges for Services - Rescue	17,382	-	17,382
Other Revenue	<u>16,447</u>	<u>-</u>	<u>16,447</u>
Total Revenues	217,949	-	217,949
Expenditures			
Public Safety	108,605	42,267	150,872
Debt Service	34,457	(24,686)	9,771
Capital Outlay	<u>138,800</u>	<u>(129,548)</u>	<u>9,252</u>
Total Expenditures	<u>281,862</u>	<u>(111,967)</u>	<u>169,895</u>
Excess Revenues Over (Under) Expenditures Before Other Financing Sources	(63,913)	111,967	48,054
Other Financing Sources			
Proceeds From Debt	<u>201,728</u>	<u>(201,728)</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	137,815	(89,761)	48,054
Fund Balance/Net Assets - Beginning of Year	<u>163,906</u>	<u>195,039</u>	<u>358,945</u>
Fund Balance/Net Assets - End of Year	<u><u>\$ 301,721</u></u>	<u><u>\$ 105,278</u></u>	<u><u>\$ 406,999</u></u>

^aNotes to the Financial Statements provide the details for main components of the adjustments.
The Notes to the Financial Statements are an integral part of this statement.

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Notes to the Financial Statements

February 28, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Walkerville Area Fire and Rescue Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Walkerville Area Fire and Rescue Department.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's discussion and Analysis - for State and local Governments*. Certain of the significant changes in the Statement include the following:

- 1) A Management's Discussion and Analysis (MD&A) section providing an analysis of Walkerville Fire and Rescue Department's overall financial position and results of operations.
- 2) Financial statements prepared using full accrual accounting for all of Walkerville Fire and Rescue Department's activities.
- 3) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including Notes to the Financial Statements.)

A. Reporting Entity

The entity is organized as a Fire Department whose purpose is to provide fire protection for the Village of Walkerville and the Townships of Elbridge, Colfax, Beaver, Troy, and Leavitt. The Fire Department is governed by a Board whose membership is comprised of representation from the participating governmental units. Each unit involved contributes an amount based on its State Equalized Valuation.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Notes to the Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenues that are both measurable and available are recorded when earned. All other revenue items are considered to be available only when cash is received by the Authority.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Notes to the Financial Statement (Continued)

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, however, there is only one fund reported.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables & Payables - All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories & Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Donated assets totaling \$10,000 were received as of February 28, 2006.

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

Buildings & Improvements	15 - 50 years
Vehicles	10 - 15 years
Office Equipment	3 - 10 Tears
Fire Equipment	5 - 20 years

Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

Notes to the Financial Statement (Continued)

NOTE B RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Authority carries commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE C STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended February 28, 2006 the Department did incur over expenditures in the following accounts:

<u>2006</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Public Safety			
Wages & Payroll Taxes	\$ 41,998	\$ 45,360	\$ (3,362)
Office Supplies	1,500	1,998	(498)
Legal	-	5,031	(5,031)
Training, Licensing, Travel	6,700	9,195	(2,495)
Capital Outlay	39,710	138,800	(99,090)

In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budgets for this budgetary fund were adopted at the line item level.

NOTE D DEPOSITS AND INVESTMENTS

Legal Provisions for Deposits and Investments - The Investment of Surplus Funds of Political Subdivisions Act No. 20, Public Acts of 1943, as amended through December 31, 1997, state the Township, by resolution may authorize the Treasurer to invest surplus finds in one or more of the following:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Notes to the Financial Statement (Continued)

- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of the United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 801-3 and 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:

- 1. The purchase of securities on a when-issued or delayed delivery basis.
- 2. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
- 3. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperations Act of 1967, 1967 (Es Sess) PA7 MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus Funds investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Types of Deposits and Investments - The Fire Department maintains all of its surplus cash in a local bank in the form of time deposits. All of which is in accordance with statutory requirements. The Department holds the following deposits:

	Carrying Amount	Market Value
Checking	\$ 39,537	\$ 43,107
Savings	110,080	110,080
Apparatus Checking	150,806	150,806
Total Deposits	<u>\$ 300,423</u>	<u>\$ 303,993</u>
FDIC Insured		\$ 200,000
Uninsured		\$ 103,993

Notes to the Financial Statement (Continued)

The district believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the district evaluates each financial institution with which it deposits district funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE E CHANGES IN LONG-TERM DEBT

	Outstanding Principal <u>2/28/2006</u>	Due Within <u>One Year</u>
<u>Fire Truck Loan #1</u>		
Note payable to USDA in the amount of \$225,000 for the purchase of a fire truck. The note is due in annual principal payments of \$11,000 to \$20,000 and semiannual interest payments @ 4.75% through 2016.	\$ 179,000	\$ 13,000
<u>Fire Truck Loan #2</u>		
During 2006, the Department entered into an agreement with the United States Department of Agriculture (USDA) for a note in the amount of \$265,000 for the purchase of a fire truck. As of February 28, 2006, \$201,728 had been advanced to the Department and \$63,272 will be advanced in 2007. The note is due in annual principal payments of \$17,000 to \$27,125 through 2017 and interest payable semiannually at @ 4.125%.	<u>201,728</u>	<u>17,000</u>
Total Notes Payable	<u>\$ 380,728</u>	<u>\$ 30,000</u>

The annual requirements to amortize long-term debt outstanding as of February 28, 2006, including interest are as follows:

Year Ended	<u>USDA LOANS</u>	
<u>February 28</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 30,000	\$ 15,940
2008	30,925	18,193
2009	32,850	16,831
2010	34,775	15,381
2011	35,700	13,846
2012 - 2016	143,103	43,903
2017 - 2018	<u>73,375</u>	<u>4,280</u>
Total	<u>\$ 380,728</u>	<u>\$ 128,374</u>

Notes to the Financial Statement (Continued)

Changes in long-term debt for the year ended February 28, 2006:

	<u>Truck & Equipment</u>	<u>Fire Truck Loan #1</u>	<u>Fire Truck Loan #2</u>	<u>Total</u>
Debt Outstanding - 3/1/05	\$ 12,686	\$ 191,000	\$ -	\$ 191,000
Debt Added During the Year	-	-	201,728	201,728
Debt Retired During the Year	<u>(12,686)</u>	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>
Debt Outstanding - 12/31/06	<u>\$ -</u>	<u>\$ 179,000</u>	<u>\$ 201,728</u>	<u>\$ 380,728</u>

Interest expense for the year ended February 28, 2006 \$9,771.

NOTE F CAPITAL ASSETS

A summary of changes in general fixed assets for governmental activities is as follows:

	<u>Balance 3/1/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 2/28/2006</u>
Capital Assets:				
Vehicles	\$ 563,000	\$ 129,547	\$ -	\$ 692,547
Fire Equipment	47,543	-	-	47,543
Office Equipment	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
Total	627,543	129,547	-	757,090
Accumulated Depreciation	<u>(233,455)</u>	<u>(42,138)</u>	<u>-</u>	<u>(275,593)</u>
Net Book Value	<u>\$ 394,088</u>	<u>\$ 87,409</u>	<u>\$ -</u>	<u>\$ 481,497</u>
Depreciation Expense				
Public Safety		<u>\$ 42,138</u>		

Included in the balance for vehicles is \$129,527 in assets that are not completed and are not currently being depreciated. These assets are expected to be completed during the 06/07 fiscal year and will then be depreciated.

NOTE G RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and net change in fund balance of the Department's governmental fund differs from net assets and statement of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Notes to the Financial Statement (Continued)

Total Fund Balance - Modified Accrual Basis \$ 301,721

Amounts reported in the statement of net assets are different because:

Prepaid insurance reflects amounts that will be paid for in a future period 4,509

Capital Assets are not financial resources, and are not reported in the funds 481,497

Long-term liabilities are not due and payable in the current period and are not reported in the funds (380,728)

Net Assets of General Fund - Full Accrual Basis \$ 406,999

Net Change in Fund Balances - Modified Accrual Basis \$ 137,815

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Prepaid insurance reflect amounts that will be paid in a future period:

Current Year Prepaid Insurance	4,509	
Prior Year Prepaid Insurance	<u>(4,638)</u>	(129)

Capital Outlay	129,548
Depreciation	(42,138)

Proceeds from long-term debt are reported as revenues in the fund statements, but not in the statement of activities (where it increases long-term debt) (201,728)

Repayments of loan principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt) 24,686

Change in Net Assets of General Fund - Full Accrual Basis \$ 48,054

NOTE H PRIOR PERIOD ADJUSTMENT

During the year ended February 28, 2006, an error was discovered in the reporting of cash and equivalents. Cash was reported as \$145,602 and should have been \$163,906 which would have increased revenues by \$18,304. Fund balance at February 28, 2005, increased as a result of the correction.

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Required Supplementary Information Budgetary Comparison Schedule - General Fund For the Year Ended February 28, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Contributions From Local Units	\$ 178,190	\$ 178,190	\$ 184,120	\$ 5,930
Charges for Services - Rescue	15,000	15,000	17,382	2,382
Other Revenue	<u>2,500</u>	<u>2,500</u>	<u>16,447</u>	<u>13,947</u>
Total Revenues	195,690	195,690	217,949	22,259
Expenditures - Public Safety				
Wages & Payroll Taxes	35,000	41,998	45,360	(3,362)
Recruitment/Retention Programs	3,000	3,000	1,736	1,264
Office Supplies	1,500	1,500	1,998	(498)
Operating Supplies	10,000	10,200	7,921	2,279
Audit	2,000	2,000	-	2,000
Legal	-	-	5,031	(5,031)
Training/Licensing/Travel	6,000	6,700	9,195	(2,495)
Insurance	14,500	14,500	13,525	975
Utilities	5,000	5,000	4,464	536
Repairs & Maintenance	25,000	23,800	18,217	5,583
Rent	100	100	100	-
Contingency	5,000	-	-	-
Dues & Subscriptions	1,500	1,500	1,058	442
Capital Outlay	39,560	39,710	138,800	(99,090)
Debt Service	<u>47,500</u>	<u>47,500</u>	<u>34,457</u>	<u>13,043</u>
Total Expenditures	<u>195,660</u>	<u>197,508</u>	<u>281,862</u>	<u>(84,354)</u>
Excess Revenues (Expenditures)				
Before Other Financing Sources	30	(1,818)	(63,913)	(62,095)
Other Financing Sources				
Proceeds From Debt	<u>-</u>	<u>-</u>	<u>201,728</u>	<u>201,728</u>
Excess Revenues (Expenditures)	<u>\$ 30</u>	<u>\$ (1,818)</u>	137,815	<u>\$ 139,633</u>
Fund Balance - Beginning of Year			<u>163,906</u>	
Fund Balance - End of Year			<u>\$ 301,721</u>	

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

May 9, 2007

Board Members
Walkerville Area Fire and Rescue Department
Walkerville, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of the Walkerville Area Fire and Rescue Department, for the year ended February 28, 2006, we considered internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and do not provide assurance on the internal control structure.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated on May 9, 2007, on the financial statements of the Walkerville Area Fire and Rescue Department. Our comments are summarized as follows:

Books and Records

We had difficulty receiving information for preparing the audited financial statements for the year ended February 28, 2006. The original information was provided in the fall of 2006. However, when additional information was requested, that was not received until March of 2007. Some of this difficulty was as a result of an apparent lack of communication between the two individuals involved in the record keeping. In addition, the records were difficult to audit due to missing transactions and lack of appropriate documentation. We recommend the Board require timely reporting of all revenue and expenditures, as well as appropriate documentation of all transactions approved by the Board.

Payroll

We are pleased to see that the prior year recommendations for reporting quarterly Form 941's for each quarter regardless of whether there was an amount to report was implemented as well as including all of the wages from the Form 941's on the Form W-2.

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Budgeting

One area that the Department needs improvement on is in budgeting. Section 18 of the Uniform Budget Act states that expenditures shall not be made in excess of the amount authorized in the budget. During the year, there were several overexpenditures in the budget as listed in the Notes to the Financial Statement. Also, the board must amend the budget as soon as a deviation is apparent. Proceeds from the loan to purchase a fire truck were not reflected in the budget nor was the total expenditure for the purchase of it which was the cause of some of the overexpenditures. In the future, we recommend that budgeted revenues and expenditures be amended as soon as the board is aware of deviations.

With the conversion to GASB-34, it is more important than ever that the budget is presented as recommended by the Michigan Department of Treasury Uniform Budget Manual. The minimum requirements for a budget as listed in Section 15 of the Uniform Budget Act are as follows:

- Ø Actual expenditures and revenues for the current year
- Ø Estimated expenditures and revenues for the current year
- Ø Beginning and ending fund balances for the current year
- Ø Actual expenditures and revenues for the prior year
- Ø Estimated expenditures and revenues for the next year
- Ø Beginning and ending fund balances for the next year
- Ø An estimate of the amounts needed for deficiency, contingent or emergency purposes

The budget for the current year did not include beginning or ending fund balances, actual revenues for the current year, or estimates for revenues and expenditures for the next year. In the future, we recommend that the budget include these items.

Receipts

We noticed during our audit that there were a few pre-numbered receipts made for revenues that were collected but not for all of them. Pre-numbered receipts should be made for all revenues that are collected by the Department indicating the name of the payer, the amount paid, the purpose of payment, the account number they are being posted to, and the signature of the person receiving the funds. This is to help ensure that all of the revenues collected by the Department were accounted for. We also noticed that some of the checks that the Department received appeared to be held for several weeks before being deposited into the Department's bank account. We recommend all revenues that are collected be deposited in a timelier manner (preferably on a weekly basis).

Disbursements

During the audit, we noticed that the total monthly general ledger reports did not equal the budgeted expenditure amounts for the year. This was partly due to payroll checks and payroll taxes not being included in the monthly general ledger reports. We recommend that all disbursements of cash be included in the general ledger.

Invoices/Receipts

One of the ways the Department can protect itself from paying improper expenditures is to require receipts or invoices for all disbursements of cash including reimbursements to employees for expenses related to the Department. For example, check #1259 for \$477.35 was written to an employee which included \$63.28 for reimbursement of room and meals, however, no documentation for those items were found only a handwritten receipt requesting the funds. We recommend that actual receipts be required before a disbursement is made.

Also, since the Board is approving payment of invoices listed on a summary sheet, either the sheet or the invoices should be signed by an authorized board member indicating approval.

GASB-34

Capitalization Policy

We noted that the Department did not have a policy regarding the capitalization of fixed assets as required under GASB 34. Such a policy should be in place so that the Department can establish a dollar threshold to determine which assets have a cost and/or useful life such that it should be depreciated. We recommend that the Department adopt such a policy. A sample capitalization policy will be provided to assist in the creation of your policy.

Financial Statements

As you may have noticed, your financial statements have several significant changes this year. This is just a brief overview of what GASB 34 is and what it means to you. This statement makes many changes to the presentation of the financial statements. One of the most substantial changes is to add government-wide financial statements which are prepared using economic resources measurement focus and the full accrual basis of accounting (used by most for-profit business). These statements also report the Department's fixed assets at original purchase price less depreciation. The fund financial statements continue to be presented as well, however, the columns presented have changed and a summary reconciliation is required to identify the differences between the government-wide and fund reports. This statement also prescribes the Required Supplementary Information (RSI) to include a budgetary comparison schedules (as currently prescribed by the State of Michigan), however, with the addition of the originally adopted budget (as well as the final amended budget).

We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Thank you for the courtesy extended to us during our audit.

Respectfully submitted,

Jodi DeKuiper, CPA

Jodi DeKuiper, CPA
Hendon & Slate, PC